

REVIEW OF BLM NEVADA'S MINING RECLAMATION FINANCIAL GUARANTEE/ BONDING PROCESS

STATUS as of 06/15/04

The following is a summary of initiatives and issues that were addressed in the report "Review of BLM Nevada Mining Reclamation Financial Guarantees/Bonding Process" authored by Tom Leshendoc (September 30, 2003) and an action agenda for the short and long term for BLM. Many of the initiatives have been discussed by the BLM State Leadership Team (SLT) and in the last BLM Minerals Workshop held March 1 – 3, 2004. The initiatives and issues are listed as statements followed by bullets. The black bullets represent accomplishments to date and the red bullets represent action items to be completed.

A bond tracking system should be established and made available to the general public.

- A template has been developed.
- A Team is investigating the utilization of LR2000 (BLM database) for tracking and generating reports.
- **New action codes need to be developed and some existing ones will need to be amended.**
- **Washington Office (WO) Program Lead will need to concur in order for Business Center to expend resources to modify LR2000.**

The SLT agreed to the workload analysis with a completion date set for the end of the 3rd Quarter, FY 2004 (06/31/04). The SLT also recommended that the Nevada State Office (NSO) designate a contact for bonding coordination and oversight. Craig Smith has been designated as the interim contact.

- **Because of funding issues, the Workload Analysis has been deferred to the WO to conduct. Paul McNutt will take a WO lead role. Workload Analysis will not be initiated until FY2005.**

Initiate a session with the Nevada Mining Association (NvMA) Environmental Subcommittee as part of our on-going outreach effort to make industry aware of the bond adjudication process. This should be accomplished with NDEP.

- NSO has had these discussions with NvMA (i.e. at their quarterly Environmental Coordination meetings and at our 1st NvMA/BLM quarterly meeting).
- BLM held their first workshop with Placer Dome on May 20, 2004.
- **BLM is now in the process of developing an industry-wide workshop tentatively scheduled for August 11, 2004. Cindi Dragon is the lead.**

Resurrect the BLM/NDEP/NDOM/USFS/NDOW work group to address common financial guarantee/bonding issues such as tracking, backlog management, state bond pool actions

on public lands, need for joint enforcement, etc. Regular coordination meetings or teleconferences should be considered until the backlogs are resolved and actions flow more efficiently. Set up at least one meeting (once per year).

- BLM has initiated discussion with NDEP and has had some discussions on a case specific basis (i.e. Gooseberry).
- **BLM will initiate discussions with NDOM, USFS and NDOW.**

Initiate teleconference coordination calls or meetings, as needed, with operators with backlogs of adjudication actions. Such coordination efforts must include the Field Offices involved, NDEP, NSO bonding coordinator and adjudication lead, and the USFS if involved.

Establish a single Field Office lead for “tracking” bonding actions. This coordination lead should also hold regular meetings among all Field Office participants involved with all or part of bonding and plan reviews. Add Field Office contact name (project lead) to the tracking system.

- BLM rejected the idea of a single Field Office lead function beyond what is provided by management. We suggest that the Assistant Field Manager for Non-Renewable Resources or the Lead Minerals Specialist (at each Field Office) play a stronger role in coordinating mining issues.
- **Each Field Office shall develop and maintain a “points of contact” list for all Plans of Operations and post on their individual home page. The State Office will hot link the NSO homepage to each Field Office.**

Each Field Office should conduct a one time “self-assessment” review early in FY '04 to review how the Field Office is processing bond actions and assure that WO and NSO guidance is being followed. Deficiencies in available resources, technical training and uncertainty in WO or NSO policies and guidance would then be raised to the State Office. Have WO staff involved.

- Completed WO Self Assessment questionnaires (04/09/04).
- **WO field visits, as a follow up to the questionnaire, has yet to be determined. Workload analysis not yet initiated.**

Develop a joint BLM/State/industry training seminar in Nevada for bonding with emphasis on estimating reclamation costs and Nevada site conditions. Preferably this should be done in coordination with or after the ‘deferral cost estimation’ work group has completed its efforts. Training is needed, jointly funded by BLM/NDEP/Industry, developed and presented by a contractor. Target audience is the technical staff (for the regulators). Target date is in 2005. Craig Smith lead. The SLT agreed and recommended that we coordinate with NTC to determine if there is any existing training or ask their involvement with development.

- **Standardized Unit Costs (SUC’s) is in the process of being developed. The goal is June 2004 delivery date (Committees products) and a SUC’s seminar planned for end of year 2004. A Bonding Training seminar would not be necessary if SUC’s is implemented. Training is deferred pending outcome of SUC’s.**

Consider adding a joint Federal/State coordinator at NSO or at NDEP in Carson City specifically for bonding coordination, monitoring, taking the lead on the reclamation cost estimates, coordination and assisting FOs in addressing backlogs and processing. This would be jointly funded. If implemented this position could also eventually assume responsibilities for the NSO staff position on bonding.

- **The issue of staffing needs to be addressed through a comprehensive review of the workload and budget. Adding a joint coordination position with NDEP is deferred until we have solid budget numbers.**

After the short term workload and backlog for bond actions (plans and notices) has been acted on NSO should review the FO and adjudication workload to see if there is a need for increasing staff for the normal financial guarantee/bonding process for new plans, modifications and three year updates. Workload analysis should be done now. The issue of staffing needs to be addressed through a comprehensive review of the workload and budget.

- **The workload analysis has not yet been initiated.**

NSO needs to educate WO BLM regarding the increasing bonding workload and especially how workload trends and patterns have evolved in the field. Consider inviting WO management (AD, Program Managers, etc) to field offices. Consider recommending development of program element charge codes that reflect the new workload patterns.

- **Scott Murrelwright (WO – program lead) attended NV Minerals/Stakeholder Conference (03/1-3/04). Tom Lonnie (WO – Assistant Director, Minerals, Realty and Resource Protection) will be touring Nevada mines in July 2004.**

Consider re-establishing a joint (BLM/State/Industry/Public Interest) stakeholder group to address BLM Nevada bonding policies. There are several unresolved policy and program issues (e.g. bond release criteria, enforcement of bond actions, establishing an action plan for 3 year reviews, etc.) where recommendations from a consolidated Nevada stakeholders group would be very helpful to BLM. Bond release criteria policy is especially needed.

- **We discussed resurrecting the stakeholder group with NDEP. NDEP suggested we start with a group consisting of BLM, NDEP, NDOM, NDOW and USFS and meet once per year and possibly do Quarterly conference calls. We will initiate contact with these groups and inquire about interest in the near future.**

Continue to develop standard reclamation costs (SUC's). Standardized unit costs should include standardized format, formulas, methodologies, references, etc. "Deferral" of any programmatic functions between BLM and NDEP may be addressed sometime in the future after SUC's are in place and have been tested.

- **Will continue to develop and implement standardized unit costs. Craig Smith is lead.**

ACTION PLAN FOR SHORT TERM BACKLOG MANAGEMENT

The primary recommendation of the report is to update the financial guarantees for all active existing plans of operation in FY 04. A suggested action plan for NSO to meet this goal follows:

- 1. Establish updating of all financial guarantees for active existing plans of operation as the first priority in the 1990 Annual Work Plan for FY '04. Each FO will develop their implementation strategy based on workload analysis and program review to clear up bonding backlog. The State Office will develop a strategy to address adjudication backlog.**
- 2. Establish a common plan of operations and financial guarantee tracking system with NDEP that exactly identifies the active existing plans of operation that need the financial guarantees updated in '04. This should be done in coordination with the BLM field offices. We need to establish a joint tracking system with NDEP for bonding and associated actions that is accessible to all users. Larry Steward and Connie Davis (NDEP) co-leads. The update status table included in this document is not meant to be the Tracking System described above.**
- 3. Establish a short term and temporary work group to address and focus on backlog management for the FY04 active existing plans and financial guarantees. This could either be a separate short term group or incorporated into the larger BLM/NDEP/NDOM/USFS work group for coordinating financial guarantees. This group would address issues as the common tracking system, priorities in addressing backlogs, bond pool actions, enforcement, sharing of resources, etc. This group could also look for alternate or interim ways of increasing coverage, enforcement action in certain circumstances (BLM, State or joint), etc. The overall goal should remain updating the financial guarantees by the end of FY04. NSO will take the initiative and assign people, as necessary, and work with other organizations to accomplish these goals.**
- 4. Act on recommendation for a single NSO point of contact; the point of contact should also monitor efforts in the FO's and NSO to ensure that actions continue to meet the FY04 backlog goal. If the recommendation for an additional joint Federal/State bonding coordinator is accepted, the position could consolidate both responsibilities. Consider a term position or detail from the FO's for the joint Federal/State bonding coordinator and to take the lead on the reduction of the backlog for FY04. Also recommended that NSO designate a State Office contact for bonding coordination and oversight in the interim. Craig Smith has been designated as the interim NSO contact. Additional position has been deferred until a workload analysis is complete.**
- 5. NSO should also focus on addressing their backlog and workload for adjudication actions. In the short term, recommendations for an open house and coordination teleconferences with industry should be implemented. Initiated Bonding Strategy Plan, outside bond adjudication assistance was provided by Arizona, others on call, proposal by Industry for contributed funding. NSO initiated bonding workload strategy plan. POO's**

and notices are now separate processes that have reduced the processing times. We brought in outside assistance, formed bond action processing team and bond instruments now reside in NSO safes (faster access).

ADDITIONAL RECOMMENDATIONS

1. Sometimes we need to issue decisions to move forward. Decisions issued and waiting for operator response – How long do we wait? Do we implement formal versus informal efforts to resolve problems or to obtain the required information? **The NSO proposes to issue Decisions with deadlines.**
2. Need procedural guidance for reclamation cost reduction (release of liability and applying the 60/40 ratio to an out of date reclamation bond calculation). **Existing guidance is IM NV-2002-066. We are in the process of working with NDEP and NvMA to develop guidance for Process Fluid Stabilization bond reduction. Also, WO is preparing guidance that should address bond reduction.**
3. NSO to provide technical expertise on reclamation cost updates. **Ongoing (i.e. Tonkin Springs, BMFO)**
4. Find assistance from NSO or FOs to provide interim assistance to other FOs. **NSO staff has been assisting BMFO. We will continue to look for these opportunities.**
5. Develop reclamation cost estimating tools such as spreadsheets, models, etc. **Developed a new Bond Cost Summary worksheet to reflect new indirect cost component. A cost model for Notices (in Excel) has been developed and posted on the NSO – Minerals webpage. IM's are on the website along with a new Las Vegas 3809 Plan of Operation Sufficiency Checklist. SUC's team in process of developing a simplified bond cost estimating process.**
6. Use of multi-year term positions to free up staff time. Term position would assist in other tasks (compliance). Use term position (e.g. paralegal) or adjusting duties of existing staff to address the adjudication workload. **We are considering several options but budget constraints will limit the opportunity this fiscal year.**
7. Need to update the POO and Notice application format to reflect the new regulations and requirements. **BLM Elko and Las Vegas are going to develop a draft and then work with NDEP to consolidate State requirements.**
8. Make sure that there is a kick off coordination meeting (or teleconference) between BLM, NDEP, and Operator for new Plans of operations and modifications. **Joint agenda for a kick off meeting was developed with NDEP and posted on the BLM website. So far, it has been well instituted, ongoing, and NDEP is pleased with progress.**
9. Deferral to the State of 43 CFR 3809 regulations provide for full or partial deferral of the program. BLM will entertain a deferral proposal from NDEP, if received. Analysis of

any proposal will include NSO and FO participation. **NDEP made it clear that SUC's need to be accepted and implemented before they would entertain deferral.**

NDEP response: Deferral agreement should accommodate reciprocal deferral: the review and processing of applications, amendments and bond updates on all-public or mostly public lands then NDEP should defer to BLM.

Attached is the NDEP list of projects requiring updates as of May 2004.

Table 1. BOND UPDATE COMPLETION STRATEGY.

Field Office	Number Outstanding On 1/04	Number Completed Last Qtr.	Completed First Quarter	Completed Second Quarter	Completed Third Quarter	Completed Fourth Quarter	Completed Fifth Quarter	Percent Completed
Elko	22							
BMFO	23							
WFO	21							
CCFO	13							
TFS	10							
Ely	5							
LVFO	12							
TOTAL	106							

Note: March 2004 is First Quarter.

Table 2. BOND UPDATE STATUS (May 2004)

COMPANY	NAME	TYPE	FIELD OFFICE	CASE #
Recon	Duck Flat Operations	Mine	BLM-Susanville	C28-87-01P
Placer Dome US Inc (Cortez Gold)	Horse Canyon	Mine	BLM-Elko	NVN-070552
Baroid Drilling Fluids	Rossi Mine	Mine	BLM-Elko	NVN-070547
Newmont Gold Company	Gold Quarry/ SOAP	Mine	BLM-Elko	NVN-070550
Newmont Gold Company	Rain Mine	Mine	BLM-Elko	NVN-070445
Barrick Goldstrike Mines Inc	Goldstrike Mine	Mine	BLM-Elko	NVN-070708
Newmont Gold Company	Genesis/Blue Star	Mine	BLM-Elko	NVN-070712
Newmont Gold Company	Post Mine (Mill 4)	Mine	BLM-Elko	NVN-070713
Barrick Gold Exploration Inc.	Rossi Exploration	Expl	BLM-Elko	NVN-070874
Newmont Gold Company	High Desert Expl Project	Expl	BLM-Elko	NVN-070957
Newmont Gold Company	Mike Exploration	Expl	BLM-Elko	NVN-070958
Newmont Gold Company	Emigrant Springs Expl	Expl	Blm-Elko	NVN-071065
Newmont Gold Company	Chevas Project	Expl	BLM-Elko	NVN-071005
Newmont Gold Company	Bootstrap Project	Mine	BLM-Elko	NVN-071087
Placer Dome U.S. Inc.	Buck Project	Expl	BLM-Elko	NVN-071098
Midas Joint Venture	MJV Underground Explorati	Expl	BLM-Elko	NVN-071128
Newmont Gold Company	Woodruff Creek	Expl	BLM-Elko	NVN-071219
TGC Holdings LTD	Tuscarora	Expl	BLM-Elko	NVN-071214
U U S, Inc.	Ren	Expl	BLM-Elko	NVN-071213
Barrick Gold Exploration Inc.	Dee Exploration	Expl	BLM-Elko	NVN-071216
Barrick Goldstrike Mines Inc	Goldstrike Exploration	Expl	BLM-Elko	NVN-071234
Barrick Gold Exploration Inc.	Storm Exploration Decline	Expl	BLM-Elko	NVN-071238
Pittston Nevada Gold Company	Pequop Exploration Projec	Expl	BLM-Elko	NVN-071287
X-Cal Resources LTD	Sleeper Gold	Expl	BLM-Winn	N20-03-005P
Newmont Gold Company	Trenton Canyon Project	Mine	BLM-Winn	NVN-065477
Homestake Mining Company	Pinson Exploration	Expl	BLM-Winn	NVN-063764
U U S, Inc.	Converse Exploration Proj	Expl	BLM-Winn	NVN-065461
Pinson Mining Company	Pinson Mine	Mine	BLM-Winn	NVN-064101
Pinson Mining Company	Preble Mine	Mine	BLM-Winn	NVN-064102
Nevada Gold Mining Inc	Sleeper Mine	Mine	BLM-Winn	NVN-064100
Newmont Gold Company	Twin Creeks Mine	Mine	BLM-Winn	NVN-064094
Getchel Gold Corporation	Getchell Mine	Mine	BLM-Winn	NVN-064093
Newmont Gold Company	Chimney North Exploration	Expl	BLM-Winn	NVN-063678
United States Gypsum Company	Empire Mine/Quarry	Mine	BLM-Winn	NVN-065199
Chemstar Lime Company	Cosgrave Project	Mine	BLM-Winn	NVN-065119
Vanderbilt Minerals Corporation	Buff Satin Mine	Mine	BLM-Winn	N26-91-026N
Newmont Gold Company	Buffalo Mountain	Expl	BLM-Winn	NVN-065197
Min-Ad Inc	Dry Canyon	Mine	BLM-Winn	NVN-065410
Eagle-Picher Minerals Inc	Colado Mine & Mill	Mine	BLM-Winn	NVN-065329
Celite Corporation	Nightingale	Mine	BLM-Winn	NVN-065326
Kinross Gold USA, Inc.	Gold Banks Exploration	Expl	BLM-Winn	NVN-065327
Nevada Cement Company	Churchill	Mine	BLM-Winn	NVN-065328
Newmont Gold Company	Trenton Consolidated	Expl	BLM-Winn	N26-95-001P
Specialty Clays Corporation	Fallon Bentonite Project	Mine	BLM-Carson	NVN-070054
Kennecott Rawhide Mining Company	Denton-Rawhide Mine	Mine	BLM-Carson	NVN-069690
Eagle-Picher Minerals Inc	Clark Mine Project	Mine	BLM-Carson	NVN-069623
White Knight Gold (U.S.) Inc	New Pass	Expl	BLM-Carson	NVN-069861

Nevada Cement Company	Fernley Limestone Quarry	Mine	BLM-Carson	NVN-069932
Eagle-Picher Minerals Inc	Popcorn Project	Mine	BLM-Carson	NVN-069957
Celite Corporation	Section 8 Consolidated	Mine	BLM-Carson	NVN-069966
Eagle-Picher Minerals Inc	Hazen Project	Mine	BLM-Carson	NVN-070004
Kennecott Rawhide Mining Company	Rawhide Exploration	Expl	BLM-Carson	NVN-070012
Barrick Goldstrike Mines Inc	Santa Fe /Calvada Mine	Mine	BLM-Carson	NVN-069118
Rod & Lucielle Stevens	Bovie-Lew Project	Mine	BLM-Carson	N37-93-003P
Placer Dome US Inc	Bald Mountain Mine	Mine	BLM-Ely	NVN-068193
Placer Dome US Inc	Yankee Mine	Mine	BLM-Ely	NVN-068259
BHP Copper Nevada Inc	Robinson Project (Magma)	Mine	BLM-Ely	N46-92-004P
Placer Dome US Inc	Mooney Basin	Mine	BLM-Ely	NVN-074280
RL McVane Inc	Holiday Project	Mine	BLM-Las Vegas	N53-00-007P
Sterling Gold Mining Corp.	Sterling Mine JV	Mine	BLM-Las Vegas	NVN-071676
Jetco Enterprises	Jetco Mill Site/Spirit Mt	Mine	BLM-Las Vegas	NVN-075672
Mud Camp Mining Company LLC	Amargosa Valley Project	Mine	BLM-Las Vegas	N54-90-024P
Cactus Mining	Eldorado Valley/Josh	Mine	BLM-Las Vegas	N54-90-031P
James Hardie Gypsum	Blue Diamond Mine	Mine	BLM-Las Vegas	NVN-071999
Chemical Lime Company	Apex Quarry	Mine	BLM-Las Vegas	NVN-072031
Pacific Coast Building Products Inc	Pabco Gypsum	Mine	BLM-Las Vegas	NVN-072129
Pass Minerals Inc.	Mijo 16	Mine	BLM-Las Vegas	NVN-072144
D L Denman	Pioneer Gypsum	Mine	BLM-Las Vegas	NVN-072157
Simplot JR Company	Simplot Silica Products	Mine	BLM-Las Vegas	NVN-071466
Georgia-Pacific Corporation	Gypsum Mine/Quarry	Mine	BLM-Las Vegas	NVN-071600
Placer Dome US Inc (Cortez Gold)	Horse Canyon Exploration	Expl	BLM-Battle Mtn	N63-97-001P
Barrick Gold Exploration Inc.	Gold Bar Project	Expl	BLM-Battle Mtn	NVN-067890
Baker Hughes Inteq Inc	Argenta Mine and Plant	Mine	BLM-Battle Mtn	N64-81-062N
M-I Drilling Fluids Company	Greystone Mine	Mine	BLM-Battle Mtn	NVN-067003
Fairmile Gold Mining Inc	Buffalo Valley Mine	Mine	BLM-Battle Mtn	NVN-067047
Tonkin Springs LLC	Tonkin Springs Project	Mine	BLM-Battle Mtn	N64-83-006P
Black Beauty Gold Inc	Black Beauty	Mine	BLM-Battle Mtn	NVN-067262
Placer Dome US Inc (Cortez Gold)	Pipeline/So Pipeln/Goldac	Expl	BLM-Battle Mtn	NVN-067261
St George Metals	Dean Mine	Mine	BLM-Battle Mtn	NVN-067310
Newmont Gold Company	Argenta Exploration	Expl	BLM-Battle Mtn	NVN-067453
Newmont Gold Co.	Iron Canyon Mine	Mine	BLM-Battle Mtn	NVN-067451
Cortez Gold Mines	Robertson	Expl	BLM-Battle Mtn	NVN-067454
Newmont Gold Company	Mule Canyon Mine	Mine	BLM-Battle Mtn	NVN-067494
Newmont Gold Company	Toiyabe Project	Expl	BLM-Battle Mtn	NVN-067523
Placer Dome US Inc (Cortez Gold)	Pipeline/South Pipeline	Mine	BLM-Battle Mtn	NVN-067575
Newmont Gold Co.	BMG Complex	Mine	BLM-Battle Mtn	NVN-067595
M-I Drilling Fluids Company	Mountain Springs Plant	Mine	BLM-Battle Mtn	NVN-067596
Newmont Gold Co.	Reona Project	Mine	BLM-Battle Mtn	NVN-067604
Homestake Mining Company	Jewell Exploration	Expl	BLM-Battle Mtn	NVN-067803
Placer Dome US Inc	Hill Top	Expl	BLM-Battle Mtn	NVN-067813
Marshall Earth Resources, Inc.	Ione Placer Facility/Mill	Mine	BLM-Tonopah	NVN-072268
Chemetall Foote Corporation	Silver Peak Operation	Mine	BLM-Tonopah	N65-84-004P
Golconda Resources Ltd.	South Monitor	Expl	BLM-Tonopah	NVN-072543
Decommissioning Services, LLC	Goldfield Project	Mine	BLM-Tonopah	NVN-072656
Barrick Bullfrog Inc	Bullfrog Mine	Mine	BLM-Tonopah	N65-88-009P
Wolff Management	Goldpoint	Mine	BLM-Tonopah	N65-88-014P
Grefco Inc	Basalt Project	Mine	BLM-Tonopah	N65-89-006P

Golden Phoenix Minerals Inc.	Mary Drinkwater Expl	Expl	BLM-Tonopah	N65-93-026N
Equistar Mining Corp	Tule Canyon Placer	Mine	BLM-Tonopah	NVN-073477
Glamis Marigold Mining Co./Daisy	Daisy Gold Mine	Mine	BLM-Tonopah	NVN-073037
Nevada Drilling Fluids Inc.	Slaven Canyon Barite Proj	Mine	BLM-Battle Mtn	NVN 075049
Placer Dome US Inc (Cortez Gold)	Toiyabe Mine	Mine	BLM-Battle Mtn	NVN-067249
Premier Chemicals LLC	Basic Mine	Mine	BLM-Carson	
United States Gypsum Company	Lovelock Perlite Mine	Mine	BLM-Winn	
Springer Mining Company	Springer Mine	Mine	BLM-Winn	
White Knight Gold (U.S.) Inc	Patty Project	Expl	BLM-Battle Mtn	
Noble Materials	Noble Perlite Project	Mine	BLM-Carson	
Placer Dome US Inc	South Casino Exploration	Expl	BLM-Ely	

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